



# COUNTY OF SAN DIEGO

2011 Certificates of Participation  
COUNTY ADMINISTRATION CENTER WATERFRONT PARK

June 2011



# INTRODUCTIONS

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- County Presenters
  - Don Steuer, *Chief Financial Officer / Deputy Chief Administrative Officer*
  - Ernie Dronenburg, *Assessor / Recorder / County Clerk*
  - Dan McAllister, *Treasurer-Tax Collector*
  - April Heinze, *Director, General Services*
  - Joan Pan, *Debt Finance Manager*
- Additional County Resources
  - Tracy Sandoval, *Auditor and Controller / Assistant Chief Financial Officer*
  - Ebony Shelton, *Director, Office of Financial Planning*
  - Brian Hagerty, *Group Finance Director*
  - Rosemarie DeGracia, *Financial Policy and Planning Officer*
  - Diana Lackey, *Chief Deputy Assessor*
  - Lisa Marie Harris, *Chief Deputy Treasurer*
  - Rob Castetter, *Chief Investment Officer*
  - Grace Chang, *Investment Officer*
- Finance Team
  - Loop Capital Markets, *Financial Advisor*
  - Bank of America Merrill Lynch, *Senior Manager*
  - Wedbush Securities, *Co-manager*



# OVERVIEW

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# EXECUTIVE SUMMARY

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- Assessed Valuation
  - A.V. growth projected at 0.5% for Fiscal Year 2011-12
- Economic Highlights
  - Diverse local economy continues to stabilize
  - Tax payment delinquencies decline
- Financial Strength and Stability
  - Continued proactive management of cost structure
  - Fiscal Year 2010-11 performance
  - Impact of State
- Pension System
  - Fund performance continues to improve as market recovers
- County Administration Center (CAC) Waterfront Park & Leased Asset
  - CAC Waterfront Park to enhance the region and provide greater opportunities for economic development
  - Leasing the George Bailey Detention Facility eliminates need for capitalized interest







# REAL ESTATE MARKET UPDATE

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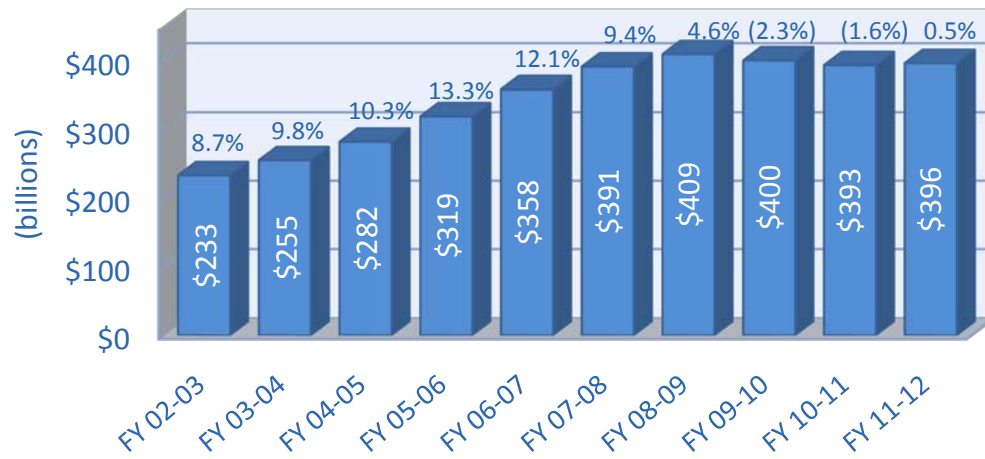
- Fiscal Year 2011-12 Assessment Roll Factors
  - Shift from residential appeals to commercial
  - Progress on realty appeals filed
    - 96.5% of the 21,770 appeals filed for the 2009 lien date completed
    - 15.8% of the 14,765 appeals filed for the 2010 lien date completed
  - New construction activity decreased slightly over prior year
  - Notices of Default and Foreclosures are down
  - Residential reassessments on change in ownership events are averaging an increase of \$60,900 in assessed value
  - This year's CCPI is positive, at 0.753%
- Assessed Value roll growth at 0.51%



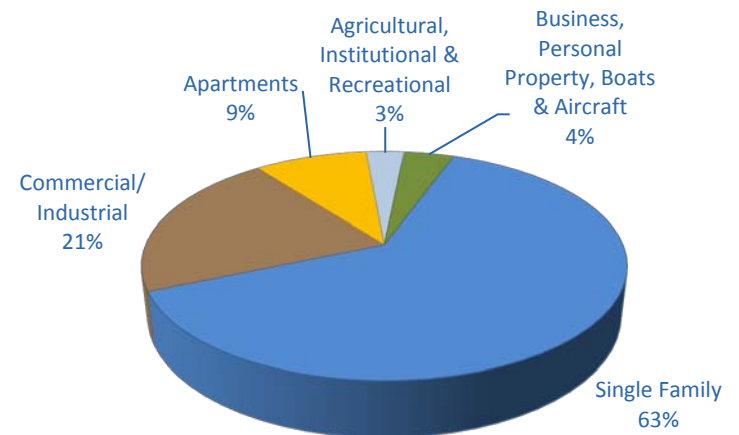
# ASSESSED VALUATION

- Property tax base has increased 7.3% on average over the past 10 years
  - 2011-12 A.V. growth at 0.51%
- Normally, Prop 13 provides a stabilizing factor for A.V. growth:
  - Real property assessments are subject to a 2% maximum annual inflation adjustment, unless there is a change in ownership, new construction, or a temporary reduction
  - The CPI for the ensuing 2011-12 assessment roll is anticipated to be 0.753%

## Assessed Value



## 2010 Distribution of Roll Values



Source: County of San Diego Assessor / Recorder / County Clerk



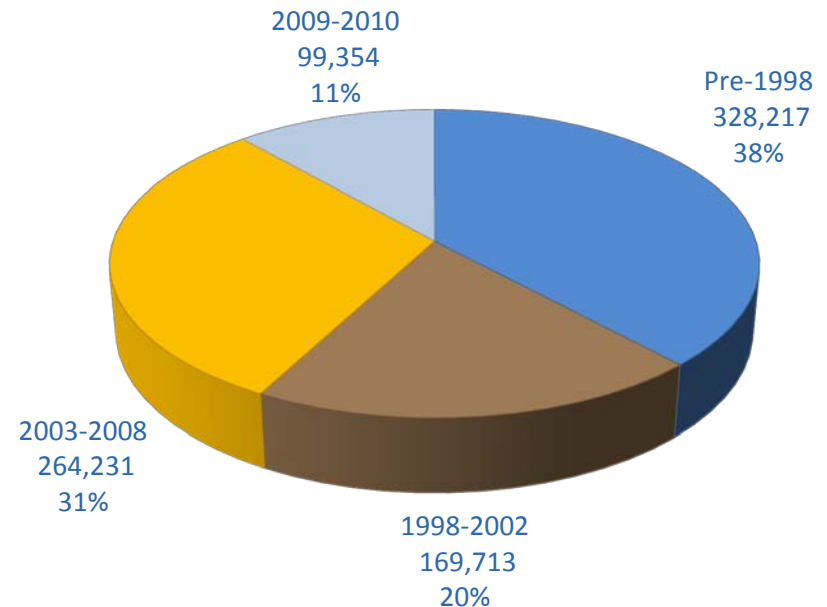


# HISTORICAL ASSESSED VALUATION

- Approximately 31% of County properties last sold in the local real estate market's peak years (2003 to 2008):
  - Approximately 72% are single family residences or condos and are likely candidates for reduction. Of these, 74% have had their A.V. temporarily reduced
- The remaining 69% of properties are not likely candidates for a downward reassessment as their base reassessment was established either very recently or prior to 2003:
  - If a property with a pre-2003 base was reassessed today, it would still reflect some appreciation since the time that the base value was established

## Historic A.V. Reassessments

Base Year Value Established Upon  
Last 100% Change of Ownership



# PROPERTY ASSESSMENTS TO DATE & FUTURE

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- Market impact shifted from Residential to Commercial Properties, evidenced by the mix in the 2010 lien roll assessment appeal cases filed
  - Commercial is 34% by total number of appeals, 85% by Reduction in Assessed Value Requested ('At Risk')
- New Prop. 8 informal requests for review for 2011 lien date is leveling
  - 4,300 new requests, 185,073 Prop. 8 valued properties
  - For 2011: \$5.1 billion reduced, \$758 million partially or fully restored for a net \$4.7 billion reduction
- Year over year, through May 2011
  - Notices of Default are down 16%
  - Foreclosures down 11%





# REGIONAL ECONOMIC UPDATE

# REGIONAL ECONOMIC HIGHLIGHTS

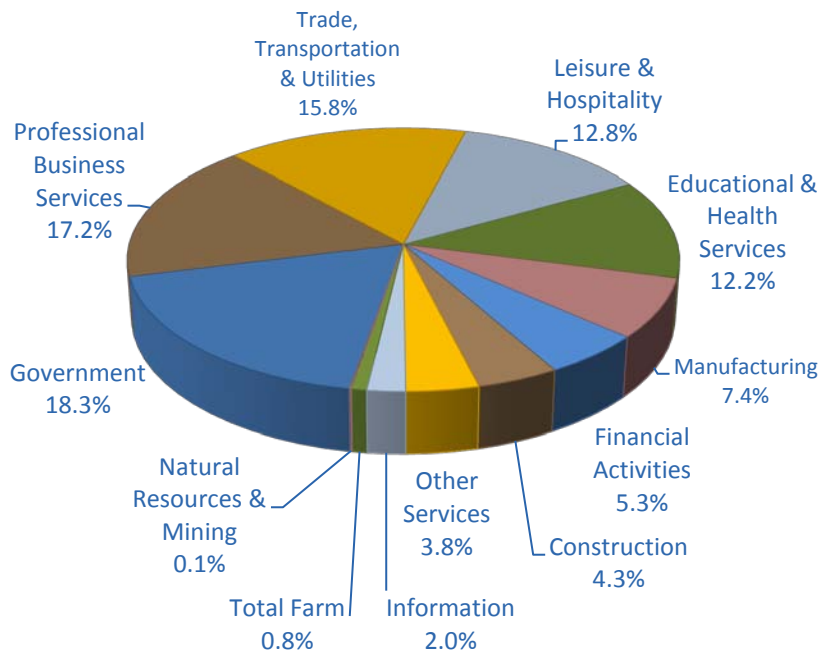
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- The University of San Diego Index of Leading Economic Indicators rose 0.9% in April, following a strong 1.2% gain in March. The gain was led by a pick up in building permits and an increase in help-wanted advertising
- On a year over year basis, total visitor spending increased 3.4% in April, following the March gain of 6.4%. In the first four months of 2011, total visitor spending amounted to \$2.313 billion, with a total economic impact of \$5.296 billion.
- In May 2011, the County's unemployment rate was 9.6%, lower than the median of 11.1% for the largest 10 Counties in the State
- Military spending in San Diego County is projected to increase 3.5% to \$20.6 billion in 2011, creating 13,000 new jobs and increasing economic output by \$1.2 billion
- San Diego County was the fourth largest recipient of venture capital funding for biotech and medical devices in the nation, with total investment of \$82 million in the first quarter of 2011



# DIVERSE ECONOMY SUPPORTED BY A BROAD ARRAY OF SECTORS

## Employment by Industry <sup>(1)</sup>



## Ten Largest Taxpayers for FY10-11 <sup>(2)</sup>

Property Owner	Business Area	Tax Amount
San Diego Gas & Electric Co.	Gas and Electric Utility	\$63,455,985
Southern California Edison	Electric Utility	28,818,695
Irvine Co.	Real Estate	17,761,358
San Diego Family Housing LLC	Real Estate	14,835,726
Kilroy Realty LLP	Real Estate	14,679,407
Qualcomm, Inc.	Telecommunication	13,626,003
Camp Pendleton / Quantico Housing	Real Estate	11,654,352
Pacific Bell Telephone Company	Telecommunication	9,708,652
Arden Realty LLP	Real Estate	8,440,141
OC / SD Holdings LLC	Real Estate	6,584,929
<b>TOTAL</b>		<b>\$189,565,248</b>
<i>% of Total Secured Tax Roll</i>		<i>4.24%</i>

<sup>1</sup> As of April 2011. California Employment Development Department.

<sup>2</sup> County of San Diego Auditor & Controller





# PROPERTY TAX COLLECTIONS

	FY 2009-10	FY 2010-11
Number of bills sent <sup>1</sup>	1,937,528	1,937,554
Amount billed <sup>1</sup>	\$4,501,205,890	\$4,445,755,674
Amount received <sup>1</sup>	\$4,289,551,349	\$4,300,002,473
Percentage of delinquencies <sup>2</sup>	4.70%	3.28%
Number of delinquencies <sup>2</sup>	105,618	90,930
Amount outstanding <sup>2</sup>	\$(211,654,541)	\$(145,753,201)

1 <sup>st</sup> Installment – December 10, 2010			Change
Number of bills sent <sup>1</sup>	983,924	--	
Amount billed <sup>1</sup>	\$2,222,877,837	--	
Payments Received	951,817	96.69%	↑ .71%
Amount Received	\$2,177,774,311	97.97%	↑ 1.31%
Number of delinquencies	32,107	3.31%	↓ .71%
Amount outstanding <sup>2</sup>	\$(45,103,526)	2.03%	↓ 1.31%

2 <sup>nd</sup> Installment – April 10, 2011			
Number of bills sent <sup>1</sup>	983,924	--	
Amount billed <sup>1</sup>	\$2,222,877,837	--	
Payments Received	925,101	93.93%	↑ .81%
Amount Received	\$2,122,228,161	95.47%	↑ 1.53%
Number of delinquencies	58,823	6.07%	↓ .81%
Amount outstanding <sup>2</sup>	\$(100,649,676)	4.53%	↓ 1.53%

<sup>1</sup> Includes both first and second installments on secured tax roll / real estate.

<sup>2</sup> Delinquent collections for payment due on December 10<sup>th</sup> (first installment) and April 10<sup>th</sup> (2<sup>nd</sup> installment).





# **FISCAL YEAR 2010-11 PROJECTED FINANCIAL RESULTS**

# FY 2010-11 OPERATIONAL HIGHLIGHTS

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- Implemented continued reduction of County cost structure
  - Reduction of 573 FTEs, following the reduction of 774 FTEs in Fiscal Year 2009-10
- Cash contributions for capital projects
  - \$55 million for Women's Detention Facility Replacement project
  - Entirely cash funding County Operations Center Phase 1B, \$119.8 million
- Reserves not drawn on, target levels exceeded
- Proactive pension funding
  - Budgeted retirement contribution \$32 million above required amount
  - Redirected GPR allocations of \$15.4 million to the Pension Stabilization fund to prepare for future increases in retirement contributions
- 3<sup>rd</sup> Quarter Projections indicate net General Fund savings of \$231.7 million
  - Expenditures: \$354.8 million lower than amended budget
  - Revenues: \$123.1 million lower than amended budget



# FY 2010-11 3<sup>RD</sup> QUARTER GENERAL FUND UNASSIGNED FUND BALANCE PROJECTIONS

	(in millions)
Unassigned Fund Balance as of June 30, 2010	\$593.6*
Less Amount used in FY 2010-11 Budget for One-Time Expenses	(286.8)
Less Subsequent Uses Approved by Board of Supervisors	(12.6)
<b>Total Available Unassigned Fund Balance</b>	<b>\$294.2</b>
3 <sup>rd</sup> Quarter Projection of FY 2010-11 Budgetary Fund Balance	\$231.7
<b>Total Projected Unassigned Fund Balance at June 30, 2011</b>	<b>\$525.9</b>

\* Under GASB 54, the former designation for economic uncertainty of \$100.0 million is considered Unassigned Fund Balance.

- Fund Balance uses during FY 2010-11:
  - County Operations Center Phase 1B
  - Management and Contingency Reserves
  - Integrated Property Tax System



# STRONG FUND BALANCES

Pre-GASB 54	FY 2008-09 Audited \$ million / % of FB		FY 2009-10 Audited \$ million / % of FB	
Total Reserved Fund Balance	\$266.4	22.4%	\$162.3	13.3%
Total Unreserved / Designated Fund Balance	347.6	29.2%	564.2	46.2%
Total Unreserved / Undesignated Fund Balance	576.0	48.4%	493.6	40.5%
<b>TOTAL GF FUND BALANCE</b>	<b>\$1,190.0</b>		<b>\$1,220.1</b>	

GASB 54 (To be implemented Fiscal Year 2010-11)	FY 2008-09 Audited \$ million / % of FB		FY 2009-10 Audited \$ million / % of FB		FY 2010-11 3 <sup>rd</sup> Qtr Projections \$ million / % of FB	
Nonspendable Fund Balance	\$12.0	1.0%	\$12.6	1.0%	12.1	1.0%
Restricted Fund Balance	232.1	19.5%	151.7	12.4%	178.9	15.0%
Committed Fund Balance	285.6	24.0%	389.4	31.9%	398.4	33.5%
Assigned Fund Balance	84.3	7.1%	72.8	6.0%	72.5	6.1%
Unassigned Fund Balance	576.0	48.4%	593.6*	48.7%	525.9*	44.4%
<b>TOTAL GF FUND BALANCE</b>	<b>\$1,190.0</b>		<b>\$1,220.1</b>		<b>\$1,187.8</b>	

\* Under GASB 54, the former designation for economic uncertainty of \$100.0 million is considered Unassigned Fund Balance.





# CONSERVATIVE BUDGETING & STRONG FINANCIAL PERFORMANCE

- The County budgets conservatively, consistently generating a net operating surplus

(in millions)	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11 3 <sup>rd</sup> Quarter <sup>(2)</sup>
Projected Year End Unassigned Fund Balance <sup>(1)</sup>	\$509.3	\$474.6	\$428.3	\$525.9
Actual Year-End Unassigned Fund Balance	571.4	576.0	493.6	TBD
Difference	\$62.1	\$101.4	\$65.3	TBD

<sup>(1)</sup> Projected net savings as of 3<sup>rd</sup> quarter for all years.

<sup>(2)</sup> Under GASB 54, the former designation for economic uncertainty of \$100.0 million is considered unassigned fund balance



# LOOKING AHEAD

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- Continue to monitor short- and long-term challenges:
  - State budget issues
  - Property tax base
  - Retirement costs
  - Sales tax / vehicle license fees
- Strategies to match expenditures to revenues:
  - Match program revenue-based services to available revenue
  - Pension Stabilization Fund
  - Careful consideration of salary and benefit structure
  - Full cost recovery (Board Policy B-29)
  - Re-examine capital program
  - C.O.R.E. (Consolidate Outsource Re-engineer Eliminate)



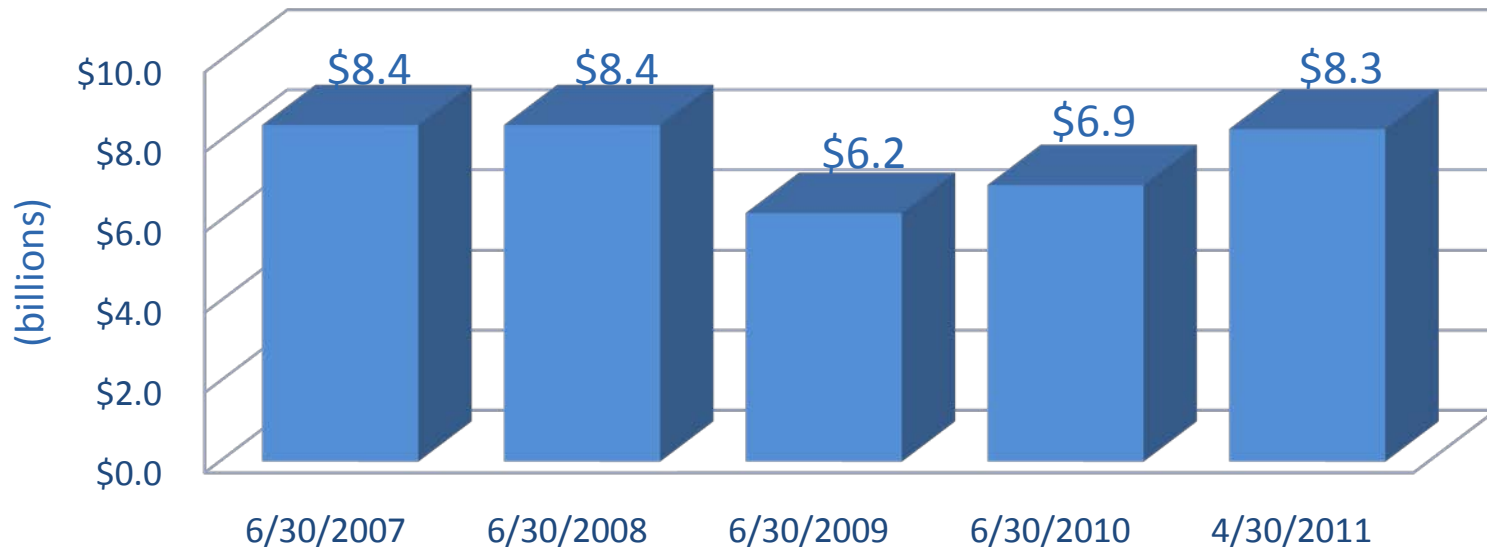


# COUNTY RETIREMENT SYSTEM

# RETIREMENT SYSTEM UPDATE

- Estimated total market value of net pension assets
  - June 30, 2010: \$6.9 billion, a 13% increase from July 1, 2009
  - April 30, 2011: \$8.3 billion, a 20% increase from July 1, 2010

**Estimated Total Market Value of Net Pension Assets**





# CAC WATERFRONT PARK PROJECT & LEASED ASSET



# CAC WATERFRONT PARK

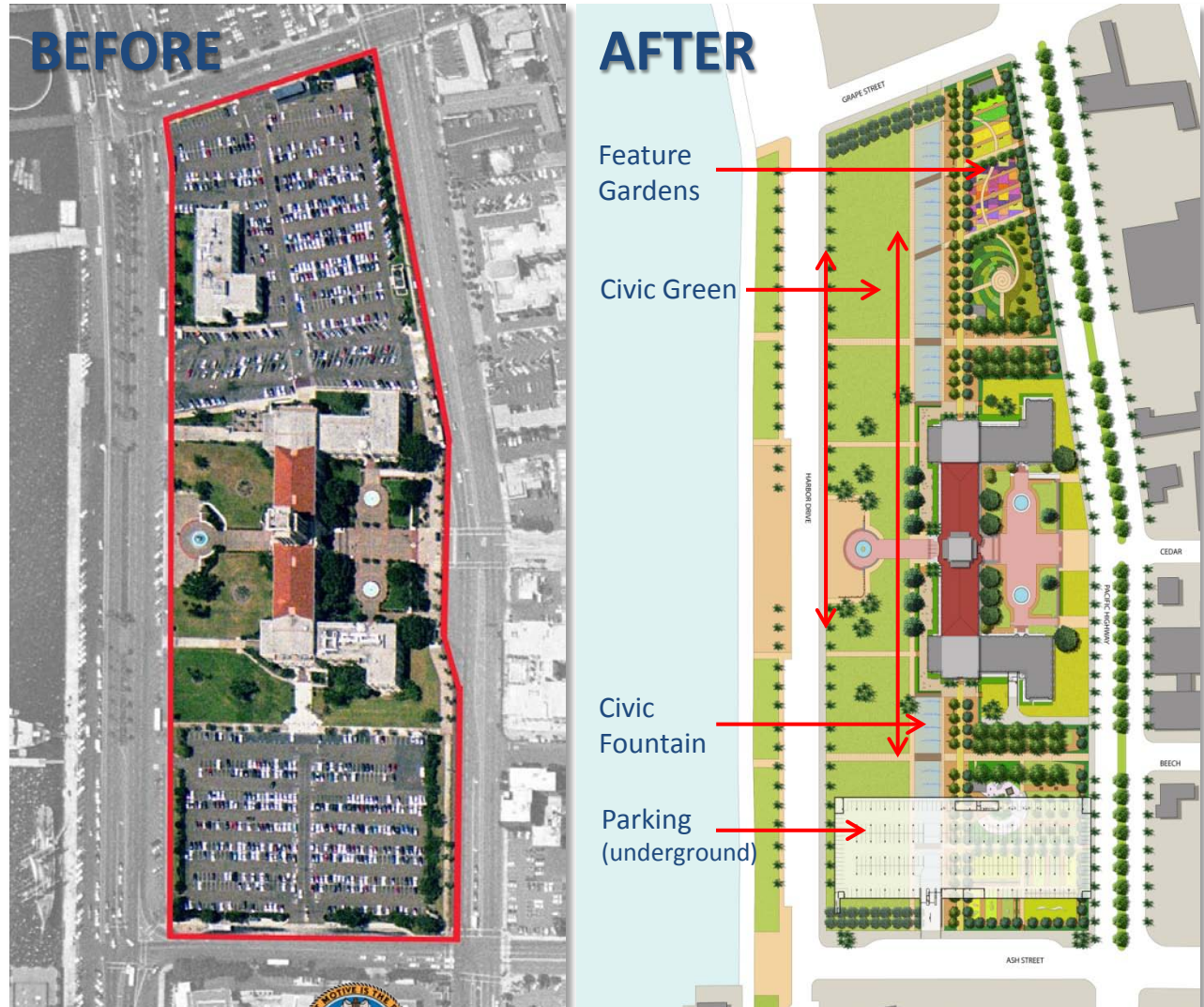
- Goals
  - Enhance the Downtown San Diego community, providing a waterfront destination for local residents, travelers and visitors arriving by airport and cruise ship
  - Provide public space for recreation and planned events, from family gatherings to public celebrations
  - Part of the North Embarcadero Visionary Plan (NEVP), coordinated by the County, City of San Diego, and Port of San Diego

*The NEVP will shape the future of San Diego by joining downtown and the bay. The plan will benefit the entire region, enhancing the bay's appeal as a hub of activity. The NEVP proposes to redevelop this area with public esplanades, landscaping, public art and gathering spaces.*



# PROJECT OVERVIEW

- Convert parking lots surrounding the historic Administration Center to a large community and regional open space public amenity
- Sustainable design features have been incorporated into the project with the goal for LEED certification
- Replacement parking will be provided by related Cedar & Kettner Development project, located one block away



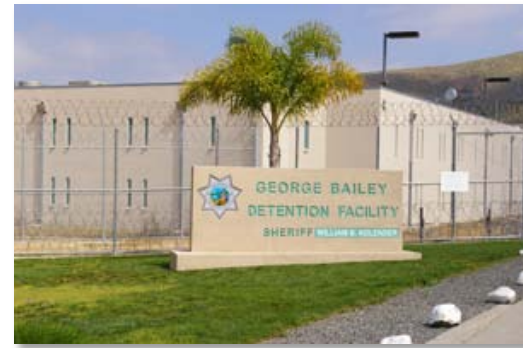
# PROJECT SCHEDULE

- Phase 1  
(Feb 2012 – Nov 2012)
  - Underground Garage
  - Managed parking begins
- Phase 2  
(Dec 2012 – Sep 2013)
  - Feature Gardens
  - Great Lawn
  - Civic Fountain
  - Cooling Tower
  - Subsurface Irrigation System
- To be followed by related Cedar & Kettner Development Project



# LEASED PROPERTY: GEORGE BAILEY DETENTION FACILITY

- 248,952 square foot facility located in Otay Mesa, in south San Diego County
- Maximum security facility with a capacity for 1,696 inmates and an average daily population of 1,500 inmates
- Largest facility operated under the County Sheriff's jurisdiction
- Facilities include: six housing units with facilities for special management inmates and facilities for medical services, inmate processing, and administration
- County staff at the facility include sworn and professional staff. Services provided include food, religious, medical, counseling, laundry and supply, administrative support, detention processing, and maintenance
- Constructed in 1991, fully operational in 1994
- Replacement cost: \$76 million







# **2011 COPS & COUNTY LONG-TERM OBLIGATIONS**



# 2011 CERTIFICATES OF PARTICIPATION CAC WATERFRONT PARK

<b>Estimated Par</b>	<ul style="list-style-type: none"><li>• \$32.105 million</li></ul>
<b>Coupon Structure</b>	<ul style="list-style-type: none"><li>• 100% fixed rate</li></ul>
<b>Annual Lease Payment</b>	<ul style="list-style-type: none"><li>• August and February payments</li><li>• Paid to Trustee by July 5<sup>th</sup> of each fiscal year</li></ul>
<b>Final Maturity</b>	<ul style="list-style-type: none"><li>• February 1, 2042</li></ul>
<b>Reserve Fund</b>	<ul style="list-style-type: none"><li>• Fully cash-funded</li><li>• Lesser of:<ul style="list-style-type: none"><li>✓ 10% of par</li><li>✓ 125% of average annual debt service</li><li>✓ Maximum annual debt service</li></ul></li></ul>



# SOURCES & USES

Sources	
Par Amount of COPs	\$32,105,000
Reoffering Premium / Discount	469,820
County Contribution	14,200,000
<b>Total Sources</b>	<b>\$46,774,820</b>

Uses	
Project Fund	\$44,200,000
Reserve Fund	2,104,243
Underwriter's Discount	192,630
Costs of Issuance	277,947
<b>Total Uses</b>	<b>\$46,774,820</b>



# ANNUAL BASE RENTAL PAYMENTS & GENERAL FUND LONG-TERM OBLIGATIONS

Date	Principal	Coupon	Interest	A	B	C	D
				2011 COPs Total P+I	Exisiting COPs & LRBs	POBs	TOTAL GENERAL FUND OBLIGATIONS
06/30/12	-	0.000%	760,828.28	760,828.28	38,758,604.17	81,334,997.26	120,854,429.71
06/30/13	500,000.00	3.000%	1,601,743.76	2,101,743.76	41,035,751.26	81,418,216.26	124,555,711.28
06/30/14	515,000.00	4.000%	1,586,743.76	2,101,743.76	34,878,413.76	81,412,921.86	118,393,079.38
06/30/15	535,000.00	4.000%	1,566,143.76	2,101,143.76	33,366,088.76	81,411,606.39	116,878,838.91
06/30/16	555,000.00	5.000%	1,544,743.76	2,099,743.76	33,289,601.26	81,414,497.22	116,803,842.24
06/30/17	585,000.00	5.000%	1,516,993.76	2,101,993.76	33,308,738.76	81,338,705.37	116,749,437.89
06/30/18	615,000.00	5.000%	1,487,743.76	2,102,743.76	33,321,801.26	81,411,311.29	116,835,856.31
06/30/19	645,000.00	5.000%	1,456,993.76	2,101,993.76	32,461,951.26	81,413,554.66	115,977,499.68
06/30/20	675,000.00	5.000%	1,424,743.76	2,099,743.76	29,689,726.26	81,408,322.84	113,197,792.86
06/30/21	710,000.00	5.000%	1,390,993.76	2,100,993.76	25,623,501.26	81,411,641.59	109,136,136.61
06/30/22	745,000.00	5.000%	1,355,493.76	2,100,493.76	25,616,301.26	81,408,072.62	109,124,867.64
06/30/23	785,000.00	5.000%	1,318,243.76	2,103,243.76	25,295,526.26	81,331,259.54	108,730,029.56
06/30/24	825,000.00	5.000%	1,278,993.76	2,103,993.76	23,319,026.26	81,414,298.68	106,837,318.70
06/30/25	865,000.00	5.000%	1,237,743.76	2,102,743.76	23,309,088.76	81,420,053.78	106,831,886.30
06/30/26	905,000.00	5.000%	1,194,493.76	2,099,493.76	22,063,070.00	81,415,400.40	105,577,964.16
06/30/27	955,000.00	5.000%	1,149,243.76	2,104,243.76	19,152,757.50	67,113,946.75	88,370,948.01
06/30/28	1,000,000.00	5.000%	1,101,493.76	2,101,493.76	19,147,187.50		21,248,681.26
06/30/29	1,050,000.00	5.000%	1,051,493.76	2,101,493.76	19,152,293.76		21,253,787.52
06/30/30	1,105,000.00	5.250%	998,993.76	2,103,993.76	19,149,456.26		21,253,450.02
06/30/31	1,160,000.00	5.250%	940,981.26	2,100,981.26	9,877,506.26		11,978,487.52
06/30/32	1,220,000.00	5.000%	880,081.26	2,100,081.26	9,874,700.00		11,974,781.26
06/30/33	1,285,000.00	5.000%	819,081.26	2,104,081.26	9,876,200.00		11,980,281.26
06/30/34	1,345,000.00	5.000%	754,831.26	2,099,831.26	9,875,662.50		11,975,493.76
06/30/35	1,415,000.00	5.000%	687,581.26	2,102,581.26	9,877,012.50		11,979,593.76
06/30/36	1,485,000.00	5.000%	616,831.26	2,101,831.26	9,878,906.26		11,980,737.52
06/30/37	1,560,000.00	5.000%	542,581.26	2,102,581.26			2,102,581.26
06/30/38	1,635,000.00	5.125%	464,581.26	2,099,581.26			2,099,581.26
06/30/39	1,720,000.00	5.125%	380,787.50	2,100,787.50			2,100,787.50
06/30/40	1,810,000.00	5.125%	292,637.50	2,102,637.50			2,102,637.50
06/30/41	1,900,000.00	5.125%	199,875.00	2,099,875.00			2,099,875.00
06/30/42	2,000,000.00	5.125%	102,500.00	2,102,500.00			2,102,500.00



# FINANCING SCHEDULE

Date	Activity
Week of July 4	<ul style="list-style-type: none"><li>• Receive Ratings</li></ul>
July 12	<ul style="list-style-type: none"><li>• County Board of Supervisors approves financing</li></ul>
July 19	<ul style="list-style-type: none"><li>• SANCAL Board of Directors approves financing</li><li>• Post Preliminary Official Statement</li></ul>
Week of July 25	<ul style="list-style-type: none"><li>• Pricing</li></ul>
Week of August 8	<ul style="list-style-type: none"><li>• Close</li></ul>





## CLOSING REMARKS



# CONCLUSION

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- County has maintained fiscal stability in challenging economic and market conditions
  - The Board has the ability and readiness to make financially prudent decisions
- County is positioned to manage ongoing challenges including slow economic recovery, uncertainty of State budgetary actions, and the changing needs of County residents
  - The Board maintains position of making necessary budget cuts
  - The Board is proactively managing its cost structure for the near- and long-term, maintaining a balanced Operational Plan
- County has institutionalized and maintained conservative fiscal management practices:
  - Consistently strong fund balances and stable reserves
  - Ongoing assessment of current and future capital needs
  - Formal financial, capital, and debt policies
- County operates within a diverse, recovering economy
  - Waterfront Park Project will enhance the regions opportunities for recreation and economic development
  - Project will provide an additional attraction for visitors to the region

